



COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5100
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GAIL FARBER, Director

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

May 18, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#35 MAY 18, 2010

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

CONTRACT EXTENSIONS/COST REDUCTIONS RECOMMENDATIONS FOR THE DEPARTMENT OF PUBLIC WORKS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

SUBJECT

This action is to authorize the Director of Public Works or her designee to amend seven contracts consistent with the County's Contract Reduction/Extension Initiative mandated by your Board on June 16, 2009.

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and delegate authority to the Director of Public Works or her designee to execute seven contract amendments, approved as to form by County Counsel, and to extend terms and reduce the annual contract amounts under your Board's Contract Cost Reduction/Extension Initiative effective for Fiscal Year 2009-10.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On June 16, 2009, your Board directed the Chief Executive Officer (CEO), working with Internal Services Department, County Counsel, Auditor-Controller, and other departments, as needed, to develop the parameters for a contract cost savings initiative by requesting that contractors reduce contract costs effective in Fiscal Year 2009-10 in return for contract extensions. Your Board also authorized any contract extensions authorized under this initiative be executed without competitive bidding and directed the CEO to include any resulting reductions in supplemental changes for the Fiscal Year 2009-10 County budget.

On June 25, 2009, the CEO, acting on your Board's direction, provided instructions for implementation of this cost savings initiative requesting that contractors reduce contract costs effective in Fiscal Year 2009-10 in return for contract extensions. The Department of Public Works (Public Works) subsequently canvassed our contracts and solicited offers from contractors that met the appropriate criteria, requesting price reductions in exchange for one-year and/or two-year extensions.

Public Works has reviewed and is recommending for your Board's approval, seven additional cost reduction offers of five percent or more in exchange for extension years from various contractors. Each of these companies has provided acceptable services to the County and agreed to the annual contract reductions without a change in the level of services required under their individual contracts. Furthermore, in an effort to apply the initiative equitably, and per the CEO's recommendation of February 1, 2010, the contractors for six contracts were required and agreed to apply the contract cost reduction retroactively effective October 1, 2009. One contract commenced on January 1, 2010; therefore, for this contract, the cost reduction will be retroactive to January 1, 2010. Arrangements will be made with each contractor regarding repayment or crediting of the amount due from the retroactive cost reduction.

As a reference, enclosed is a document that shows background on the subject contracts, which includes the proposed cost reductions/extensions and the related fiscal impact.

Upon your Board's authorization, the Director of Public Works or her designee will execute the contract amendments to effect the changes described herein.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provision of Operational Effectiveness (Goal 1) and Community and Municipal Services (Goal 3). The contractors who have the specialized expertise to provide these services accurately, efficiently, timely, and in a responsive and cost-effective manner will support Public Works in meeting these goals.

FISCAL IMPACT/FINANCING

There will be no impact to the County General Fund.

The seven proposed contract amendments, if approved, would result in an estimated potential total savings of \$473,184 to the Road Fund and Flood Fund Budgets in Fiscal Year 2009-10 and any future years, if all option years are exercised.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

This effort pertains to current contracts, which were planned to be competitively rebid upon expiration. The contractors for six contracts have agreed to have their contracts amended and have the cost reductions become effective October 1, 2009. The contractor for one contract agreed to an

effective date of January 1, 2010, which is the date its contract commenced.

Five of the seven contracts are subject to the Living Wage Ordinance (LWO). These contractors have agreed to pay their full-time employees the current Living Wage Rate approved by your Board on February 6, 2007, and confirmed that they will comply with the County's Living Wage reporting requirements. The County's Proposition A and LWO provisions apply to these contracts, as County employees can perform these contracted services. These contracts comply with all of the requirements of the Los Angeles County Code, Section 2.201. The contractors will continue to pay their full time employees the required minimum rates of \$11.84 per hour without health benefits, or \$9.64 per hour with health benefits of \$2.20 per hour, as specified in the LWO adopted by your Board on March 15, 2007, and confirm that they comply with the County's Living Wage reporting requirements.

The contractors for six of the seven contracts offered cost reductions in July 2009. However, because these contracts were fully or partially funded by the Road Fund Budget, and due to the State Budget crisis, Public Works did not want to increase contract commitments while unsure of the funding available to the Road Fund Budget. Therefore, these cost reductions were not recommended for your Board's approval last year. Since then, funding for the Road Fund Budget has stabilized, and Public Works now recommends six cost reduction amendments retroactive to October 1, 2009, and one retroactive to January 1, 2010, as indicated herein.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This effort is intended to produce immediate cost savings in light of the fiscal challenges faced by the County. The proposed contract amendments should not have a negative impact on the level or quality of service provided to the County by the affected contractors.

CONCLUSION

Please return one adopted copy of this letter to Public Works, Administrative Services.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gail Farber".

GAIL FARBER
Director

GF:GZ:cg

Enclosures

c: Chief Executive Office (Lari Sheehan, Martin
Zimmerman)
County Counsel
Executive Office
Office of Affirmative Action Compliance (w/o
enc.)

CONTRACTOR EXTENSION/COST REDUCTION

No.	Contract No.	Contract Name	Contractor Name	Contract Start Date	Final Option Yr. Exp. Date with Cost Reduction Extension	Original Annual Contract Amount	1-Year Extension Reduction	2-Year Extension Reduction	*Cost Savings Retroactive to 10/01/2009	First-Year Extension Cost Savings	Second-Year Extension Cost Savings	Future Option Year 1 Cost Savings	Future Option Year 2 Cost Savings	Potential Maximum Savings	**Justification Code
1	001584	AS-NEEDED INDUSTRIAL VACUUM AND JETTING SERVICES	NATIONAL PLANT SERVICES	11/30/2005	11/29/2012	\$750,000		6.00%	\$50,312	\$45,000	\$45,000	N/A	N/A	\$140,312	1, 4, 5, 6, 9
2	001949***	AS-NEEDED PUBLIC CURBSIDE REFUSE CONTAINER COLLECTION AND DISPOSAL SERVICES FOR EAST LOS ANGELES	UNITED PACIFIC WASTE	01/01/2010	06/30/2014	\$169,000		7.00%	\$11,830	\$11,830	\$5,915	\$11,830	\$11,830	\$53,235	1, 2, 9
3	75974	LANDSCAPE AND GROUNDS MAINTENANCE SERVICES FOR THE AREAS OF ROAD MAINTENANCE DISTRICT 3 EAST	TRUGREEN	01/08/2007	01/07/2014	\$137,229		10.00%	\$17,154	\$13,723	\$13,723	\$13,723	N/A	\$58,322	1, 2, 6, 9
4	75975	LANDSCAPE AND GROUNDS MAINTENANCE SERVICES FOR THE AREAS OF ROAD MAINTENANCE DISTRICT 3 WEST	TRUGREEN	01/08/2007	01/07/2014	\$207,217		10.00%	\$25,902	\$20,722	\$20,722	\$20,722	N/A	\$88,067	1, 2, 6, 9
5	75976	LANDSCAPE AND GROUNDS MAINTENANCE SERVICES FOR THE AREA OF EAST LOS ANGELES STREET MEDIANS	TRUGREEN	02/01/2007	02/01/2014	\$199,291		10.00%	\$26,572	\$19,929	\$19,929	\$19,929	N/A	\$86,359	1, 2, 6, 9
6	76402	ANTELOPE VALLEY LANDSCAPE MAINTENANCE SERVICES	ALMA GARDENING	12/16/2007	12/15/2012	\$43,215		10.00%	\$5,222	\$4,322	\$4,322	N/A	N/A	\$13,866	1, 2, 6, 8, 9
7	76403	EAST COUNTY MEDIANS - LANDSCAPE AND MEDIAN MAINTENANCE SERVICES	AZTECA LANDSCAPE	12/04/2007	12/03/2012	\$104,280		10.00%	\$12,166	\$10,428	\$10,428	N/A	N/A	\$33,022	1, 2, 6, 8, 9
									\$149,158	\$125,954	\$120,039	\$86,204	\$11,830	\$473,184	
Total Potential Savings = \$473,184															

* The cost saving amount includes retroactive savings from October 1, 2009, for all contracts except for Contract No. 001949, which includes cost savings retroactive from January 1, 2010; also includes the contract saving amount in contract year 2010, which can be prorated for the first year of cost reduction; calculations reflect actual, potential, or partial savings since not all invoices have been submitted by the contractors yet. These contracts do not have any Net County Cost savings.

**See Attachment for the list of justifications.

***The contractor agreed to a 7% reduction for 18 months of extension. Second-year cost extension savings reflect 6 months of extension.

Justification

Attachment 1 contains one or more justifications from the list below for each contract that supports the recommendation by the Department of Public Works concluding that the contract amendment (extension/cost reduction) is economically advantageous to the County as compared to the potential results of conducting a new solicitation.

1. Extending the contract will lock in a lower price immediately and provide instant savings that can be utilized to provide services.
2. Extending the contract provides additional savings beyond the immediate cost reduction. There is value added by locking in old rates for future years. The Net Present Value of future savings is considered an added value because the contract has one or more years left in the contract, and the extension will provide cost savings for several years, in addition to the extension year(s). The cumulative cost savings is significant.
3. When comparing the current contract rate/cost to the rate/cost from the previous contract, the rate/cost is higher than the previous contract providing evidence that the cost of this service has increased over time and is expected to continue to increase.
4. During the last couple of solicitations for this service, Public Works experienced little interest from proposers and received few or no proposals. The work is highly specialized and very few, if any, proposers showed interest.
5. The contract costs consist mainly of wages, equipment, and fuel. None of these costs is likely to decrease during the life of any new contracts, and it is expected that over the span of a contract there will be significant increases in these costs that will be reflected in any new proposals. Accordingly, we expect the contract cost to increase when we rebid.
6. Public Works will realize cost savings and increased efficiencies, without interrupting critical services, by eliminating the cost of conducting resolicitations. These cost savings include the cost of advertising, reproducing and distributing Request for Proposals documents, County Counsel billing, postage, as well as freeing staff time that can be used on additional projects for classifications ranging from clerical to Deputy Director.
7. The contract is a prevailing wage contract with labor rates mandated by State or Federal agencies. Our experience has been that the mandated prevailing wages have increased over time and that it is highly likely that the new solicitation will result in a higher cost to Public Works than existing contracts.

8. The contract is a Living Wage contract. The Living Wage mandates a minimum wage rate for contract labor. The Living Wage will not decrease; therefore, the labor cost of such a contract will not be lowered through a resolicitation since the contractor is obligated to continue to pay the Living Wage.
9. The contract is funded whole or in part through the Fiscal Year 2009-10 Road Fund and any savings realized is critical and imperative so that services can be continued to be provided. Due to the impact of the final State Budget's deferral of revenue, the Road Fund is facing multiple negative budgetary cash flow impacts. Therefore, any savings through the recommended contract amendment (extension/cost reduction) to a contract paid by the Road Fund is economically advantageous to the County as compared to the potential results of conducting a new solicitation without the cost reduction offered by the contractor.
10. The contract is funded through a Public Works fund that will experience some negative cash flow impact during Fiscal Year 2009-10 due to the impact of the final State budget's shifting of property tax revenue. Therefore, any savings through the recommended contract amendment (extension/cost reduction) to a contract paid by any one of these impacted funds is critical and imperative so that services can be continued to be provided.

P:\aspub\CONTRACT\Contract Cost Reduction\Cost Reduction Justification Attachment 2.doc